

USAID / ZAMBIA
STRATEGIC OBJECTIVE ONE (SO1) CLOSE OUT REPORT

SO Name: Increased Rural Incomes of Selected Groups in Zambia
SO Number: 6110001
Approval Date: July 2000
Geographical Area: Zambia
Total Cost:

Development Assistance	32,705,100.00
Development Funds for Africa	400,000.00
Total USAID Funding	<hr/> \$33,105,100.00

Principal Implementing Partners

World Vision
CARE
International Development Enterprises
International Executive Service Corps
Cooperative League of the USA
Michigan State University
Agricultural Consultative Forum
Zambia Chamber of Small and Medium Business Association
Development Alternatives Inc.
Nathan Associates
Zambia Agricultural Commodity Agency
Credit Management Services
OPPAZ

Background

This Strategic Objective (SO1) was USAID's instrument for obligating funds for its and the Government of Zambia's (GRZ) program on Increasing Rural Incomes of Selected Groups. This was meant to address the decade-long trend of rising rural poverty, which would be achieved by enhancing trade and investment policies and focusing assistance on increasing the availability, affordability and quality of technologies, inputs, and services needed to make farmers and rural enterprises more efficient and productive. It required encouraging access to profitable markets for a growing quantity and variety of farm and natural resource products. It also focused on effective dialogue with and support to the GRZ to improve overall economic policy environment to reduce constraints to trade and

investment. The program also built public and private sector capacity for policy dialogue, analysis, conceptualization and formulation.

Activities under SO1 were meant to increase the following:

- Rural family incomes
- Number of farmers adopting improved cultivation technologies, including increased use of improved crop varieties, conservation farming and agro-forestry
- Number of farmers who increase their incomes through improved linkages to input markets and group output marketing, training, extension and credit services
- Average value of agricultural and natural resource products marketed, while the average cost to the rural family for essential inputs decreases
- Number of new micro-finance loans and total value of loans disbursed to rural non-farm enterprises
- Number of new markets for rural products and new rural non-farm enterprises
- Increased support-institutions' membership of rural businesses and marketing groups
- Increased value, volume and variety of non-traditional exports

Summary of overall impact at SO level and IR level

IR1.1 Increased agriculture and natural resources production

- Land and labor productivity
- Number of farmers in selected groups adopting improved technologies

IR1.2 Increased contribution of RFNE's to private sector growth

- RNFE sales and service revenue
- Improved RNFE access to finance
- Number of clients/members of institutions that support RNFE members

IR1.3 Improved trade and investment environment

- Non- traditional agricultural and natural resources exports

Significant changes in the Results Framework during the life of the SO

No significant or major changes were made to the results framework over the life of the SO apart from changing (in 2001) the land and labor productivity indicator from being a reportable indicator to being a project level indicator. The multifaceted nature of the SO (no specific value chains) did not allow for effective tracking of this indicator. In 2002, a DQA was conducted and minor improvements were made to the data collection processes for all indicators

Summary of activities used to achieve the SO and their major outputs

World Vision Inc. Integrated Agro-forestry Project

The Agro-forestry Project was aimed at improving rural household food security, through increased farmer productivity, increased participation in markets and improved farmers' access to agricultural extension and training in collaboration with the Ministry of Agriculture, Food and Fisheries and the International Center for Research in Agro-forestry. This project was targeted at 12,000 small holder farmers in Chipata, Katete, Chadiza and Mambwe districts of the Eastern Province as these districts were food deficit areas because of reduced crop yields caused by declining soil fertility and a monoculture maize cropping system. Among the major accomplishment of the project were:

- 6,327 households planted improved fallows and 18,309 individual households had grown one or more fields with improved fallow species
- Net increase in income earned by 3,689 farmers growing 713 ha of maize after improve fallows was \$267,082
- At least 5,645 households planted at least one improved variety of cassava, maize, groundnuts or cowpeas
- Total yield value of the yield under crop diversification was \$42,100
- 944 households implemented one or more soil and moisture conservation technologies
- 379 farmers were trained 52% of which were women.

CARE Livingstone Food Security Project (LFSP)

The overall goal of the LFSP, implemented in Kalomo, Kazungula and Livingstone districts of Southern Province was to reduce vulnerability to drought and achieve household food security by addressing the underlying causes of vulnerability and food insecurity with responsive, sustainable farming, water use and income generating activities reinforced by strong community institutions. Major achievements of the LFSP include the development of an institutional model for the community-based development and extension; successful implementation of a community-based seed scheme; achievement of seed security; crop diversification at household level; the introduction of a livestock disease control/management system involving community livestock facilitators. The project partnered with more specialized agencies such as ZATAC and IESC to establish a workable marketing arrangement, such as the milk collection centers and linkage of dairy farmers to a milk processing company, in the project area. The project directly and indirectly benefited a total of 155,600 people.

CARE Community-based Natural Resource Management and Sustainable Agriculture (CONASA)

This project focused on agriculture and natural resources management as a strategy to improve rural livelihoods and conserve natural resources. The program assisted 7,067 households living in the game management areas

around the Kafue National Park. They were trained in sustainable agricultural and natural resource enterprise activities. This training helped them earn \$246,292. The program provided sustainable alternative income to the community, thus dissuading them from engaging in illegal poaching activities in game management areas. Activities conducted under CONASA fell under three components (i) Household food security (ii) Policy and Advocacy (iii) Transboundary Natural Resource Management.

The most significant achievements under the household livelihood security activities included:

- several successful strategies to boost local food production, including formation of locally managed revolving seed schemes, off-season seed multiplication, use of improved seed varieties, and extension training
- formation and training of dozens of enterprise groups, with promising signs of a viable model in many cases.

The main achievements under resource management included:

- numerous successful community mobilization and sensitization campaigns for conservation, resulting in several examples of voluntary surrendering of firearms
- facilitation of numerous meetings involving Zambia Wildlife Authority (ZAWA) and Community Resource Boards (CRBs) to improve community relations, increase skills in resource management, and implement safari hunting concession agreements
- formation of local NRM plans and local bylaws in four out of five CRBs, which entered into the process of legal ratification through a provision in the Local Government Act
- numerous product development and marketing studies on non-timber forest products, with additional progress in developing two of these into enterprises (honey and mungongo nuts)

The most significant achievements under policy and advocacy included:

- training on the importance and content of natural resource policies that was widespread and effective
- a baseline report on the policies in the wildlife, forestry, water, and fisheries sectors, and widespread dissemination and discussion of these analyses
- the establishment of the Natural Resources Consultative Forum in a manner which was inclusive and eventually handed over to government
- support for ZAWA's reorientation to grassroots Natural Resources Management (NRM) by facilitating several small activities and strengthening communication channels
- formation of a regional CRB association
- helping communities take advantage of opportunities to provide input into policy formation by facilitating a community presentation to a parliamentary committee on forestry, and input into the draft land policy review process

- smoothing relations between ZAWA, communities, and safari operators through meetings and forums.

Component three was concerned with supporting many of the structures and processes as components one and two, but at a transboundary level. The most significant achievements in this component included:

- support for the development of enterprises with the potential to reach regional markets
- exchange visits that created new social linkages between the Zambian Community based organizations (CBOs) and CBNRM programs in neighboring countries
- sensitization and training in natural resource policy
- development of natural resource bylaws and resource management plans
- formation and strengthening of several Community Development Trusts in the open areas
- collection of preliminary information on wildlife corridors and habitat connectivity between Kafue NP and the Zambezi.

International Development Enterprises/Winrock (IDE/WINROCK)

The Smallholder Market Creation (SMC) project focuses on irrigated production of cash crops as an entry point for increasing smallholders' market participation, leading to increased income and improved livelihoods.

This program is jointly executed by International Development Enterprises and Winrock International. The teaming of these two organizations capitalizes on IDE's expertise in developing pro-poor technologies disseminated through private-sector supply chains and Winrock's expertise in output market development to effectively create market systems that will significantly benefit Zambia's rural poor.

The SMC project aims to create integrated smallholder market systems that will enable poor rural households to move from subsistence farming to profitable participation in agricultural markets. The project has been involved in the following activities:

- help smallholders to gain control over available water resources through the use of low-cost micro-irrigation technology.
- support smallholders in the cultivation of fruits, vegetables, and other high-value crops for which expanding market opportunities exist, and for which they have a comparative advantage.
- systematically identify constraints that limit smallholders' access to appropriate, affordable inputs and profitable output markets, and
- facilitate private-sector, market-driven solutions to the constraints identified above.

This project was built on IDE Zambia's five years of practical experience in developing private-sector micro-irrigation supply chains, conducting rural awareness-raising and marketing campaigns, and supporting farmers in agricultural intensification. The SMC project endeavors to take this market-based approach to the next level by placing an increased emphasis on market opportunities as the driving force behind smallholder market systems. The project has continued to take advantage of market "pull," as opposed to technology "push," to enable smallholder wealth creation.

The objective for the first two years of the project was to integrate some 4,000 smallholder families into agricultural markets where they would have access to appropriate micro-irrigation technologies and agricultural inputs, enabling them to produce and sell high-value vegetable crops and earn an sustainable average extra net income of \$300 per year (for those participants starting in the first year). An additional 6,000 households participated in parts of the program activities, receiving partial benefits from the program.

Poverty Reduction through Irrigation and Smallholder Markets (PRISM) has been the prime methodology used in implementing project activities. Elements addressing increase of rural income through micro-irrigation and market integration have been main precursors in project implementation.

The project was implemented in 4 regions: Southern Province (Livingstone, Kazungula, Kalomo, Choma, Mazabuka); Lusaka Province (Kafue, Chongwe, South of Chibombo/Katuba); Central Province (Chibombo, Kabwe, Kapiri-Mposhi) and Copperbelt (Ndola, Kitwe, Mufulira, Masaiti, Mpongwe, Chingola, Luanshya). About 130 farmer groups have either been mobilized or adopted in the SMC project involving more than the 10,000 farmers targeted. 3,400 participating farmers were full participants. These farmers were able to control available water resources, purchase inputs, participate in agricultural production & management trainings, employ recommended practices to produce and sell to markets.

To ensure SMC deliverables were met, most effort was dedicated to farmer capacity building relating to irrigated production and marketing. The other core aspects included credit linkages, market linkages, publicity and promotion, supply chain, partnership and technology development programmes. Cross cutting issues of Gender and HIV/AIDS were also included as advocacy activities.

Over 436 capacity building outreach activities were achieved in all project areas with group-based capacity building sessions and farmer field visits and follow-up visits being most frequent. 9,839 farmers have been reached during capacity building sessions of which 38% of beneficiaries were women. Eight production manuals were developed to aid farmers in the production of various vegetables (conservation farming manual, cabbage production manual, drip irrigation manual, smallholder lemon grass manuals, farm management manual, garlic

production manual, paprika production manual, and the leafy vegetable production manual). Farmer capacity building activities were closely linked to marketing and promotional activities, avenues that have been employed to stimulate farmers' interest in smallholder irrigation technologies. IDE worked with a number of partners in the execution of SMC activities. Prominent ones were Agriculture Support Program (provision of agribusiness skills training to farmers), Ministry of Agriculture and Cooperatives (providing general extension), and the Micro Bankers Trust (providing input credit).

In order to enhance full participation of farmers in the SMC project, market output and credit linkage activities took primacy. Several partnerships emerged with micro finance institutions, particularly Micro Bankers Trust for input credit, and out grower companies, such as Cheetah Zambia, Freshmark and various supermarkets. Cheetah Zambia provided input credit for the production of paprika. It also provided a market for 10 tons of paprika produced to date with a value of \$7,500. Freshmark and supermarkets provided a market for fresh vegetables valued at \$35,000. The above figures represent a common farmer income increase of \$100 to \$500 per year. A full crop cycle income analysis was conducted on selected vegetables and high-value crop-producing farmers. The analysis revealed that, based on a crop mix of at least three to four crops cultivated on a quarter hectare plot of land with multiple cropping under treadle pump or drip irrigation, farmers exceeded the incremental net income of US\$ 300, and earn a total net annual income in excess of US\$ 500. Value-adding crop processing of leafy vegetables by drying has also been introduced to more than 100 participating women farmers. A market for dried vegetables has been established with Sylva Food Solutions.

Two major micro-irrigation technologies were promoted during the SMC project: treadle pump technology and drip irrigation technology. Some 2,465 participating farmers accessed treadle pumps and about 400 drip systems. The size of drip systems ranged from 100m² to 5 ha (to irrigate primarily vegetables on around 110,000m², 11 ha or 275m² per household). Local supply of treadle pumps is envisaged to be sustained by the 16 manufacturers trained in the SMC regions.

In summary, the project has achieved the following milestones: 20,735 farmers were trained in various production and micro-irrigation techniques, while 5,490 farmers were reached through various capacity building activities. The total income realized by the target group was \$2,316, 844. The program assisted clients in accessing \$455,000 in input credit from various sources.

International Executive Service Corps – Hands on Technical Assistance Project, 1998 -2002

IESC/Zambia geared its program activities towards provision of volunteer technical assistance and business development services to rural non-farm enterprises (RNFEs) by skills development and technical capacity building for SMEs from various broad sectors of industry to maximize their long-term

competitive performance, thereby increasing their incomes. Specific activities included provision of TA to contribute to the strengthening of indigenous BSOs (consulting firms and business associations). Small business grow through vertical, horizontal and cross border linkages; fostering public/private partnerships; implementing a multi-sectoral strategy for mitigating the economic impact of HIV-AIDS on small businesses. The program had two phases of implementation. The first was targeted towards small and medium sized enterprises (SMEs) in a variety of sectors throughout Zambia, while the second period concentrated on micro and small enterprises (MSEs) and was targeted more specifically at the development of MSE linkages within the tourism sector in Livingstone district of Zambia. Some major outputs are listed below:

- Over the project life, a total of \$423,848 in sales was realized through the technical assistance provided by IESC. This level of sales represented a 46% improvement over the baseline.
- In addition to business service associations, sector associations, a total of 400 SME's were directly impacted by the program.
- A 13% increase over baseline was recorded in job increases over the five year period.
- Linkages facilitated through the Livingstone Linkages program (phase 2) ranged from linking small holder farmers to supermarket chains and lodges/guesthouses; craft producers to hotels, guests/lodges and museums.

International Executive Services Corps (IESC) Copperlink, 2003 - 2004

The Copperbelt Linkages for Rural Non-Farm Enterprises (Copperlink) program was designed to meet the needs of RNFE's by providing technical assistance, business to business trade linkages, capacity building for District Business Association and mitigating the economic impact of HIV/AIDS on RNFEs. The major achievements recorded by the project are highlighted below:

- Over the course of 20 months (life of project), 1,500 MSMEs (614 women owned) – 85% more than was originally anticipated, were through IESC Volunteer Experts, assisted with technical assistance in various areas including micro and small business management; banking, association strengthening, agriculture, manufacturing, transportation, packaging and food processing.
- Copperlink was very instrumental in the initiation of what is now called the 'Business Enterprise Exhibition (BEE)– the first MSME trade exhibition in Zambia. The first exhibition held in May 2004 leveraged \$40,000 in sponsorship from various private and public sector institutions. Over \$20,000 in income was generated by the MSMEs. 77% of exhibitors indicated sales and new business linkages. The BEE has become an annual event.
- In the bid to widen access to finance options for MSMEs, Copperlink facilitated linkages between the Lusaka Stock Exchange and the members

of various District Business Associations in order to inform the latter on the opportunities available to raise capital through the issue of bonds or shares. A guideline on how SMEs can access finances through the stock market was developed and a committee called the “second tier” is working on the mechanism for SME participation in the stock market as way to access capital.

- Copperlink was also instrumental in the establishment of a company called CODIBA (Copperbelt District Business Association, an agro processing company that focuses on manufacturing of jams, jellies and juices. Though with a few packaging challenges, the company has recently started exporting to Congo DRC.
- Copperlink facilitated linkages and contacts between DBA members and enterprises in neighboring countries through existing trade corridors resulted in a total of 188,432 being realized.
- With Copperlink assistance, 9 strong enterprises were linked to new markets and these currently realize between \$2000 and \$60,000 in sales turnover per year.
- Over 245,272 (a 7% increase from baseline value) in income was realized by 63 companies (MSMEs) of the IESC TA beneficiaries.

Cooperative League of the USA – Rural Group Business Project

The goal of the project was to increase rural incomes, in line with USAID’s Strategic Objective, through the development of a network of self-managed farmer groups as conduits for a variety of interventions, such as training in improved agricultural techniques, crop diversification, business training, and input and output market linkage, with an overall strategy of commercializing smallholder agriculture. Operated in 18 districts, some notable results are highlighted below:

- One of the major achievements for which CLUSA is responsible is the widespread adoption of conservation farming among small-scale farmers in Zambia. It is estimated that CLUSA, through its partnership with the Conservation Farming Unit (CFU), has trained 40,000 farmers cultivating a total of 28,500 hectares under this system. Over the period, 39,000 farmers adopted new farming technologies (conservation farming) exceeding a target of 8,500 by 458%. The actual number of hectares under conservation farming technologies was 28,500, exceeding a target of 16,500 by 172%.
- A total of \$2.6m in agricultural commodities was marketed by CLUSA assisted groups. This was a significant amount even though the target was missed by 22%.
- \$4.3m worth of agricultural inputs was procured using the loan fund exceeding the target by 20%. A total of \$4.1m in loans was dispersed, exceeding the target by 19%.
- The value of equity mobilized by RGBs totaled \$642,000 exceeding the target by 98%.

- Crop diversification in the small scale sector into non-maize commodities and high value tradable crops such as paprika and chilies.
- An increase in the ability of private sector firms to interact with the small scale farming sector, both on input and output marketing
- The 'institutionalization' of the 'CLUSA model' through its inclusion into the development strategies of Government and other major donors

Cooperative League of USA - Natural Resource Management Program

The project was aimed at combining community forest management and promoting the emergence of democratically self-managed, financially viable rural business that improve rural incomes in the Eastern Province of Zambia. The agricultural marketing component of the project, the Producer Owned Trading Cooperative (POTC), enabled 6,000 farmers to access inputs at a fair price and sell their cash crops through a transparent marketing operation. One of the most significant impacts of the project was improved crop productivity which was attributed to availability of inputs thus facilitating proper planning, teaching better crop management practices, and assured produce markets. Under the forestry component, the strategy was to use the same farmers and sensitize them on issues of deforestation and sustainable forest management. They were required to organize themselves into Village Resource Management Area Committees and pay their own village resource guards to assist in implementing forest activities. This process stalled as the first chief to have signed the Forest Management Plan agreement refused, thus hindering progress. The project made significant strides in three major aspects of the Forestry component

- raising forest users awareness of deforestation and sustainable management issues
- building capacity of local forestry department staff in forest management skills
- developing models for community-based forest management

The POTC has remained as a legacy institution from the NRM activity that continues to serve its members as an assured market and strives to expand the Fair Trade exports to earn premium prices for its members and discourage disruptive agriculture production methods on the environment.

Michigan State University - Food Security Research Project (FSRP)

The Food Security Research Project's mandate was to enhance government policy making through applied research, collaborative policy analysis, policy dialogue, and capacity building, as part of a broad based market oriented growth strategy. Its key partners were the Ministry of Agriculture and Cooperatives (MACO), the Agricultural Consultative Forum (ACF), and the Central Statistical Office (CSO). Project achievements include:

- Maize marketing policy: FSRP/MSU provided support to MACO and other stakeholders on maize marketing/trade policy issues. In 2003, as GRZ

was about to establish the Crop Marketing Authority (a proposed parastatal company with a public crop marketing mandate that would have gone against market liberalization policy), FSRP analysis demonstrated the negative impact that such an organization would have on the agricultural sector. High-level dialogue on the matter resulted in President's decision not to follow through with the proposal.

- In addition, FSRP/MSU assisted MACO and CSO with the 2002 and 2003 Crop Forecasting Surveys, the production of the respective National Food Balance Sheets, and analytical input to determine GRZ's import policy and related donor coordination issues. Both seasons were affected by drought and FSRP/MSU was able to positively influence commercial and public import modalities.
- Fertilizer marketing policy: FSRP/MSU provided analytical support to MACO to improve government's input marketing policy and its ongoing fertilizer distribution program. As a result, the distribution program developed from being a free hand-out to a cash-purchase program with a decreasing subsidy element, which may eventually be phased out, encouraging increased private sector participation.
- Cotton marketing policy: FSRP/MSU provided technical input in the dialogue that discussed and addressed cotton sector policy and coordination issues.
- Market Information: FSRP/MSU provided TA to the Agricultural Market Information Centre at MACO, improving data collection and analysis efforts, working towards increased public-private market information partnerships in selected areas.
- High-level policy dialogue: FSRP/MSU engaged in and facilitated high-level policy outreach and dialogue. Apart from ad-hoc and planned policy outreach and dialogue activities, FSRP/MSU participated in policy dialogue with the President and other key policy makers during two Zambia International Business Advisory Council (ZIBAC) meetings.
- Capacity building: By collaborating with individuals from MACO and CSO on specific research and other activities, FSRP/MSU provided in-service training to some 50 professional staff. In addition, analytical skills training was provided to 30 professional staff.

Agricultural Consultative Forum (ACF)

The aim of ACF is "to promote in a non-partisan manner public-private sector consultation and participation in the development and implementation of agricultural sector policies, by providing an environment that facilitates constructive dialogue, information sharing and communication amongst private sector and public stakeholders in the agricultural sector." ACF thus engages the Government of Zambia on agricultural policy issues and facilitates stakeholder consultations, networking and information sharing.

ACF received in-kind support from USAID, while receiving complementary support from the Netherlands and Norway.

Zambia Chamber of Small and Medium Business Association – Business Development Project.

The Chamber operates through District Business Associations (DBA) in all nine provinces of Zambia, providing fee-based business development services to its membership, facilitating market linkages and access to micro finance. The main objectives of the award to the Chamber were (i) to establish strategies and operation systems that would enhance its capacity to ensure continued provision of business related services to its members (ii) to develop and provide new, dynamic and progressive business assistance programs to the general membership (iii) to create systems and guidelines that would result in accountability and sustainability for ZCSMBA and its affiliates. By March 2005, ZCSMBA had a total membership of 76 Business Associations (BA), 69 District Business Association (DBA), and six sector based association serving over 9,500 Micro Small and Medium Entrepreneurs countrywide. As a result of USAID-funded interventions,

- A fully functional secretariat to administer and direct activities and programs of ZCSMBA has been established.
- The number of District Business Associations providing Business Development Services (BDS) grew from 42 BA's at inception to 76 BA's, a growth of 81%.
- Membership increased approximately 138% from 4,000 members in 2001 to 9,000 in 2005.
- 971 SME's accessed over \$144,000 in finance from various microfinance institutions to which they were linked by ZCSMBA.
- A total of \$274,509 in finances were also leveraged by the CoAg from various institutions.
- A total of 397 MSME's were assisted to market their products and services through participation at local, national and international exhibitions and shows and over 2,901 MSME's accessed entrepreneurship skills training out of 110 workshops.

Zambia Chamber of Small and Medium Business Association – LADT project.

The aim of the project was to assist farmers to expand and develop their livestock enterprises, thereby increasing household incomes and food security of selected groups in Western Province. The specific objectives included:

- Promotion of community ownership and responsibility in Livestock Development.
- Capacity building of Community Livestock Workers.
- Provide access to improved breeding stock.
- Strengthen gender equity in livestock enterprises.
- Promote Livestock diversification activities and their attendant products.
- Provided veterinary /ancillary services to livestock enterprises.

As a result of these activities, there has been an increase in demand for business-oriented livestock development services in Western Province. The demand went beyond the program's capacity. Over 100 area farmers associations (representing approximately 20,000 households) demanded livestock development services from the program, however the program only worked with 1,000 households. About 1,178 small livestock producers were reached with various livestock services; \$227,200 in loans was accessed by farmers/project clients to procure improved breeds and the establishment of a cold chain while about \$76,460 were realized as incomes by the target farmers.

It is hoped that the momentum created by the project initiatives will offer an opportunity to contribute to pro-poor change more effectively, thereby contributing to a common basis for making progress towards the Millennium Development Goals. Thus, the implementing agencies in the project areas find themselves at an important crossroad of sustaining the positive gains and avoid frustrating the livestock keepers due to the reversal of the many profitable achievements made from the technical and financial support from the program.

Development Alternatives Inc.- Zambia Agribusiness Technical Center (ZATAC)

The purposes of ZATAC were to foster greater demand for smallholder agricultural production, and the goods and services of rural non-farm enterprises (RNFE) and increase the number of agribusinesses that buy output from or sell inputs to smallholders. ZATAC was expected to contribute to increasing sustainable rural incomes through growth in the number of farmers using productivity-enhancing technologies, increase in RNFE income and expansion of non-traditional exports. It was to provide business development services to agribusinesses that buy from or sell to smallholders.

Over the years of implementation, many smallholder producers adopted productivity-enhancing technologies. About 216,615 members adopted various technologies compared to the project target of 120,000. The rural non farm enterprise annual incomes of members reached \$242 surpassing the target of \$142. The program availed finance through the ZATAC Investment Fund to smallholders of about \$1.3 million, again surpassing the target of \$1million set at the beginning of the project. ZATAC successfully transitioned from being a project to becoming an independent, indigenous non-profit organization to the extent that it is being adopted as a "Best Practice" model for smallholder commercialization and increased trade projects in Zambia.

Nathan Associates- Zambia Trade and Investment Enhancement Activity (ZAMTIE)

The goal of this program was to reduce trade and investment barriers, build capacity of public and private sector partners to facilitate economic growth by fostering linkages to optimize rural income and generating investment and trade

opportunities among producers, suppliers, processors, traders and service providers within and outside Zambia. The project focused on agriculture and agribusiness, natural resources and tourism. ZAMTIE's major outputs included:

- Establishment of the Zambia Business Forum (ZBF): ZAMTIE worked with the business community in the formation of ZBF, which has become the country's leading voice for private sector;
- Private Sector Development Action Plan: ZAMTIE provided support to both the Government of Zambia through the Ministry of Commerce Trade and Industry (MCTI) and the private sector to prepare the country's Private Sector Development (PSD) Action Plan which is becoming a major guiding document for private sector investment;
- Department of Foreign Trade: ZAMTIE worked with MCTI to facilitate the establishment of the Department of Foreign Trade within MCTI;
- AGOA Apparel Visa Approval: The project worked with the Government of Zambia, Zambia Revenue Authority and the US Trade Representative's office to facilitate processes that led the Visa approval in late 2001.
- Agricultural Marketing Development Plan: In conjunction with the Zambia National Farmers Union (ZNFU) and the Ministry of Agriculture and Cooperatives (MACO), ZAMTIE initiated an exercise aimed at developing a plan for reforming the agricultural market. The plan was published in 2004.

Zambia Agricultural Commodity Agency (ZACA)

The Zambia Agricultural Commodity Agency Limited (ZACA) project focuses on promoting a certified Warehouse Receipt System that enables farmers, traders and processors to deposit stocks of non-perishable agricultural commodities against which finance could be obtained from financial institutions. Over the reporting period, a total of \$300,000 was obligated into the CoAg out of an LOP total of \$555,525.

Progress by the project:

- 105,000 MT certified space against the targeted 65,000 MT.
- Crops worth \$2,773,225 were stored in ZACA-certified warehouses during the reporting period.
- Not counting the DCA-leveraged loans of \$704,000 under SO5, the stored commodities leveraged \$1,476,000 in loan capital.
- More than 3,569 smallholder farmer members of 107 groups have been trained in grain quality issues and how to access the WR system. These groups are in the high production areas of the respective districts.

Credit Management Services (CMS)

CMS was incorporated as a company under Zambian law in 1992 and was registered with the Bank of Zambia under the Financial Services Act of 1994. The overall goal of the activity was to improve the economic and social well-being of Zambia's rural population. Its purpose was to strengthen community groups and

group based enterprises through the provision of microfinance, to assist the groups expand their small businesses, and enable them enter the mainstream of small business bracket in Zambia and thereby improving their incomes. The project operated from February 1999 to January 2003 with the TEC of \$930,000.

In its final year of operating about 2,700 clients were being serviced by CMS involved in various small businesses such as tailoring, trading and small-scale agriculture production. Unfortunately, the program was discontinued prematurely after granting it fourteen months no-cost extension, due to liquidity problems caused by poor loan recovery and management issues. CMS went into voluntary liquidation.

Organic Producers and Processors Association of Zambia (OPPAZ)

OPPAZ was founded in 1999 by farmers who were keen to promote and expand the opportunities for organic agriculture. OPPAZ aims to provide technical specialist services so that accessible exports routes are established to create an opportunity for income generation for the Zambian farmer through organic and fair trade agricultural production and processing. The programme encourages crop diversification on a household level through carrying out activities that:

- Support the development of cash crops that generate income in rural sectors with sustainable agricultural production methods.
- Help develop and maintain viable markets for certified and non-certified organic produce within and outside Zambia, and expand the already established export market for certified products.
- Encourage small-scale farmers and rural based primary production and processing of agricultural products.

Lessons Learned and Sustainability

Policies at the Forefront:

Throughout the five-year term of the SO, it has become increasingly evident that rational and business-friendly government policies and regulations are the “gatekeepers” to competitiveness, increased regional and international trade and sustainable economic growth. Policy rationalization is critical to growth at multiple levels: fiscal policy; trade facilitation; labor laws; investment code; tax administration; customs administration; telecommunications; financial services systems; agricultural input and output marketing, business registration and administrative corruption. Without meaningful changes in policies (followed by implementation), competitive access to lucrative export markets, and the incentives to produce for those markets, will be constrained.

Shift in how we do Business – Results that Matter:

We have focused too heavily on tracking process indicators, with inadequate attention to measuring our impact on true economic growth – i.e., job creation, capital accumulation, increased productivity, export growth and increased

investments. In a quest to achieve results related to reportable indicators our partners have been forced to focus too heavily on client numbers and not enough on volume and value indicators of success in the achievement of economic expansion. There must be a balance between our focus on client numbers and demographics, and our attention to the volume and value of production and exports. But - we have been overbalanced toward a focus on the number of clients we serve, with inadequate focus on indicators that relate the quality of those services in terms of long-term competitiveness, and how we contribute to the larger economy.

To satisfy our demand for “results” the role some of our implementing partners played under SO1 were inappropriate to the cultivation of sustainable, stand-alone capacities of our clients. Where our partners’ role should be to facilitate linkages between the demand for services and the supply for those services (both sides Zambian), some have tended to intervene as actual “links” in the supply side of services. When activities come to an end the links in the value chains (i.e. input supply, marketing, processing and transport) are too weak to be taken on and sustained by our clients.

Support to Local Organizations:

Cultivating the capacities of Zambian organizations is more management intensive for the Mission than working with proven partners that understand USAID’s procurement systems, reporting requirements and programming. However, the increased investment in time and effort pays dividends in terms of true sustainable capacities and long-term economic growth. SO1’s lasting legacy is grounded in local organizations that have been cultivated and nurtured, and which are poised to play an expanding role in the new Economic Growth Strategic Objective (SO5). The Zambia Business Forum (ZBF), born out of the ZAMTIE project, is now recognized as the respected voice of the private sector in Zambia – and the Government listens. The Zambia Agri-business Technical Assistance Center Ltd. is a local spin-off institution of an SO1 contract that is attracting growing attention as the lead Business Development Service provider in Zambia. The ZATAC Investment Fund (ZIF), a \$1.3 million loan fund utilized to fuel export agriculture is now intermediated by a local bank, and its success is attracting short- to medium-term loan capital from other parties. The Zambia Agricultural Commodity Agency (ZACA) has established a warehouse certification and warehouse receipts system that, with the participation of local financial institutions and growing recognition by government, is stimulating lending against stored agricultural commodities. ZACA is in the process of establishing a warehouse receipts trading desk at the Lusaka Stock Exchange. When fully established, the trading of negotiable warehouse receipts on the Stock exchange will serve as an important pre-condition to futures trading in agricultural commodities. The Agricultural Consultative Forum (ACF), a former Ministry of Agriculture and Cooperatives organ, is now a private-sector think tank that serves as a respected intermediary, which connects the public and private sectors, concerning critical policy and regulatory issues.

All of the above are prime examples of how USAID should cultivate the capacities of local institutions; and they point out SO1's greatest successes, which must be built upon and expanded throughout the application of the New Strategic Framework for Africa.

Financial Services:

Development finance must extend beyond the limited solidarity-group micro-finance model to more innovative and market-oriented approaches to meeting the needs of a full range of financial services clients. Best practices, as defined by the orthodox micro-finance approach, while playing an important role, must be augmented by a transition into commercial micro-finance to include savings-credit systems, value-chain financing (and services), leasing, equity finance and short- and medium-term operating capital loans. USAID Zambia must increase its application of the Development Credit Authority guarantee facilities in order to encourage local banks to venture into new markets and to better serve the market place.

From Relief to Development:

Economic Growth partners and their activities must coordinate with USAID-supported, and other donor- and government-supported relief activities. We must make every effort to promote and establish clear strategies that graduate clients from being perpetual recipients of food aid toward sustainable production-market supported activities. The Zambia Mission Economic Growth Team is working closely with OFDA, FFP colleagues and other donor and government programs to play a greater role in building bridges between relief and development activities.

Donor and Government Coordination:

Continued coordination with other donors will be important to realize the maximum return on investment of resources. The Economic Growth SO will continue to solidify its partnerships and collaboration with multiple other donors and the Government of Zambia.

Performance Indicators

SO Level Indicator 1: Incomes of selected rural groups.

An increase in the value of incomes realized by USAID assisted groups.

Over the life of the SO, USAID-supported groups realized an aggregated income level of slightly over \$45,500,000 against an aggregated target of \$44,700,000. In 2004 alone, USAID supported groups increased their incomes to \$8.1 million from \$5.96 million in FY2003, exceeding the target of \$6.2 million for FY 2004. The increase was mainly due to improved rainfall, wide adoption of improved farming technologies such as small-scale irrigation, conservation farming and the emergence of rural milk collection centers. 8,700 members of the Zambia

Chamber of Small and Medium Business Association (ZCSMBA) realized net incomes of \$668,783 (up 11% from \$593,841 in FY03) from the activities of its district business association members.

Indicator 1.1.1 Number of farmers adopting improved technologies: An increase in the number of farmers adopting improved technologies. Technologies promoted include improved varieties of existing crops, new crops, conservation farming, small-scale irrigation, agro forestry, forest management, forest product processing or marketing (honey, wildlife, etc.).

The adoption of a wide range of improved agricultural technologies and improved management skills benefited 360,000 USAID assisted farmers, exceeding the target of 283,000. The number of farmers employing conservation farming under the Rural Group Business Program, for instance, rose from 30,802 in the previous year to 44,581, thereby significantly contributing to household food security and small farmer market participation. .

Indicator 1.2.1 Improved RNFE access to finance: An increase in the use of commercial credit, production inputs on credit, investment of retained earnings.

Overall, RNFE access to finance among USAID-supported groups totaled \$15,720,000, exceeding a target of \$13,100,000 by 20%. Among the most notable beneficiaries of USAID leveraged finance were marketing groups under the CLUSA Rural Group Business Program who accessed \$2,060,000 in agricultural inputs for sale to farmers. Under the Investment Fund in the USAID supported Zambia Agribusiness Technical Assistance Center (ZATAC), producer groups accessed over \$1,000,000 worth of finance for their production and marketing activities. In 2004 alone, \$2,100,000 in input loans was accessed under the CLUSA Rural Group business , whilst \$430,000 was provided to agribusinesses under the Zambia Agribusiness Technical Assistance Center. In the same year, farmer groups organized as marketing agents under USAID's CLUSA forest management program in eastern Zambia obtained close to \$107,000 in agricultural loans. In 2005, a total of \$1,480,000 was accessed in finance by participating farmers of the Warehouse Receipt System administered by the USAID-funded Zambia Agricultural Commodity Agency (ZACA).

Indicator 1.2.2 RNFE sales and service revenue

An increase in the value of commodities or services (training, accounting, tailoring etc) sold by assisted groups.

Though various interventions including those aimed at enhancing marketing skills of beneficiaries; improved business management; improved lobbying skills for an enabling environment and increased access to finance etc; close to \$27,000,000 was realized in sales of goods and services by the assisted groups.

Indicator 1.2.3 RNFE outreach (number of clients): An increase in the number of clients/members of institutions that support RNFE members. RNFE institutions include NGOs, business associations, and business training institutes or agencies. This result is to be achieved through formation, development and skills training for business associations and rural group businesses, giving RNFEs more collective clout in their markets by cooperation with other RNFEs.

Over the life of the SO, close to 460,000 clients were reached through various interventions implemented by the SO partners. These interventions included training in various aspects of business management including farming as a business; market linkages and finance linkages.

Indicator 1.3.1 Non-traditional agricultural, natural and tourism exports

An increase in the annual value of non-traditional agricultural and natural resources exports. Tourism services sold to non-Zambians (safari hunting, eco-tourism and curios) regarded as natural resource exports.

USAID's efforts to promote trade and investment policy reform contributed to an increase in non-traditional agricultural and natural resource exports. In 2004 alone, \$404 million was realized from 11 non-traditional exports. USAID continued to play a key role in helping Zambian public and private sector stakeholders take advantage of opportunities under AGOA as well as those in regional markets such as the Common Market for Eastern and Southern Africa (COMESA) and the Southern Africa Development Community (SADC). Though somewhat slower than was expected by Zambian stakeholders, collaboration with USDA's Animal Plant and Health Inspection Service (APHIS) continued on fresh produce pest risk assessments, giving hope that Zambia would eventually break into the lucrative US horticultural market. Overall, USAID continued its active role of working to influence the policy environment in the agriculture sector. USAID programs assisted the Government of Zambia and a variety of key stakeholders in the grain trade sector to conclude a widely accepted Agricultural Marketing Development Plan, which would significantly assist Zambian agricultural producers to more effectively market their production.

Evaluations and Special Studies

Component	Title of Study	Purpose of Study and/o Comments
Grades and Standards.	Phytosanitary Service Feasibility Survey, July 2005 (ZAMTIE)	To determine the level of phytosanitary service in Zambia.
Trade	Doing Business in Angola, June 2005 (ZAMTIE)	Opportunities of doing business in Angola
Small claims court	Small claims Court Socio Economic Survey, July 2005 (ZAMTIE)	Feasibility of establishing a small claims court

Maize marketing and food security policy	<ul style="list-style-type: none"> • The effects of District Council levies on smallholder farmers, April 2005 • Maize price policy options during the 2005/06 agricultural marketing season • Toward a regional framework for effective policy responses to the emerging food crisis, August 2005 • Anticipating and responding to drought emergencies in Southern Africa: Lessons from the 2002/03 experience, November 2004 	Policy analysis to guide the role of GRZ in maize marketing and food security management.
Input marketing policy	<ul style="list-style-type: none"> • Agricultural Input Market Development Action Plan, MACO/FSRP/IFDC, May 2005 • Profitability of fertilizer use on maize by small-scale farming households in Zambia, July 2005 	Policy analysis to guide the role of GRZ in agricultural input marketing
Cotton marketing policy	<ul style="list-style-type: none"> • Zambian cotton in a regional context: Issues of the Cotton Outgrower Fund, the Cotton Act, and market structure, February 2005 	Policy analysis to guide the role of GRZ in cotton production and marketing
Poverty alleviation	<ul style="list-style-type: none"> • Land allocation to smallholder farmers in Zambia: Implications for poverty reduction strategies, December 2004 	Policy analysis to guide the role of GRZ in poverty reduction and land reform programs
Conservation farming	<ul style="list-style-type: none"> • Profitability analysis for the design of recommendations for conservation farming planting basins, February 2005 	Economic analysis to guide conservation farming technology transfer
Government	<ul style="list-style-type: none"> • Analysis of the 2005 	Policy analysis to guide GRZ

resource allocation to the agricultural sector	MACO budget and GRZ resource allocation to the agricultural sector, January 2005	resource allocation
ZIBAC	<ul style="list-style-type: none"> Summary of issues pertaining to the agricultural sector: An analysis presented to President Mwanawasa during the ZIBAC consultations, September 2005 	Policy analysis to inform President Mwanawasa on key issues in agriculture
HIV/AIDS	<ul style="list-style-type: none"> Characteristics of individuals afflicted by AIDS-related mortality in rural Zambia, August 2005 	Policy analysis to guide role of GRZ in designing policy and targeting of interventions

Instruments Closeout Reports

Prepared as per ADS 202.3.8 for contracts grants and cooperative agreements

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